

m/037/027

# Umetco Minerals Corporation



P.O. BOX 1029  
GRAND JUNCTION, COLORADO 81502  
☎ (970) 245-3700

May 13, 2005

RECEIVED  
MAY 16 2005  
DIV. OF OIL, GAS & MINING

Mr. Paul Baker, Reclamation Specialist  
State of Utah  
Department of Natural Resources  
Division of Oil, Gas & Mining  
1594 West North Temple, Ste. 1210  
PO Box 145801  
Salt Lake City, UT

VIA OVERNIGHT MAIL

**Re: Umetco Minerals Corporation, Reclamation Contracts  
Deremo-Peterson and Wilson Silverbell Properties**

Dear Mr. Baker:

I enclose partially executed reclamation contracts for the captioned properties. Attached to each contract is Attachment A, a legal description and map, and Attachment B, a form of surety bond that has been executed on behalf of Umetco.

If possible, Umetco would like to receive copies of the contracts and bonds after they've been approved and executed by the State of Utah. Thanks for your assistance in this matter, and please contact me if you have a question regarding the enclosures.

Yours truly,

Milton G. Derrick

MGD/jfc

Enclosures: As stated

ATTACHMENT B

FORM MR-5  
November 1, 2004

Bond Number \_\_\_\_\_  
Permit Number M/037/027  
Mine Name Wilson-Silverbell Mine

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
Division of Oil, Gas and Mining  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
Telephone: (801) 538-5291  
Fax: (801) 359-3940

COMPLETED

RECEIVED

MAY 16 2005

THE MINED LAND RECLAMATION ACT

SURETY BOND

DIV OF OIL GAS & MINING

\*\*\*\*\*

The undersigned Umetco Minerals Corporation, as Principal, and  
Safeco Insurance Company of America, as Surety, hereby jointly and  
severally bind ourselves, our heirs, administrators, executors, successors, and assigns, jointly and  
severally, unto the State of Utah, Division of Oil, Gas and Mining (Division) in the penal sum of  
Four Thousand Four Hundred & 00/100-----dollars (\$ 4,400.00-----).

The mining and reclamation plan was originally approved May 2, 1979.  
The area where reclamation responsibilities remain encompasses 6.9 acres. The  
escalation year is 2009.

A description of the disturbed land is attached as "Attachment A" to the Reclamation  
Contract, of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has  
satisfactorily reclaimed the disturbed lands in accordance with the approved / accepted Mining and  
Reclamation Plan or Notice and has faithfully performed all requirements of the Mined Land  
Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then  
this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan or Notice provides for periodic partial reclamation of the  
disturbed lands, and if the lands are reclaimed in accordance with such Plan or Notice, Act and  
regulations, then Principal may apply for a reduction in the amount of this Surety Bond.

Bond Number \_\_\_\_\_  
Permit Number M/037/027  
Mine Name Wilson-Silverbell Mine  
Other Agency File Number \_\_\_\_\_

In the converse, if the Mining and Reclamation Plan or Notice provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

Umetco Mineals Corporation  
Principal (Permittee)

Edward W. Rich Treasurer  
By (Name and Title typed):

EW Rich  
Signature

**Surety Company**

Safeco Insurance Company of America  
Surety Company Name

L. Scott  
Surety Company Officer

Attorney-In-Fact  
Title/Position

L Scott  
Signature

A circular stamp with the word "COMPLETED" inside.

April 27, 2005  
Date

4634 154th Place, NE, Adams Building  
Street Address

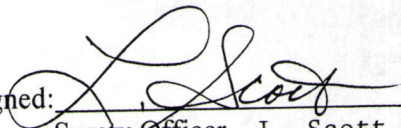
Redmond, WA 98052  
City, State, Zip

(425) 376-6535  
Phone Number

February 15, 2005  
Date

## AFFIDAVIT OF QUALIFICATION

On the 15th day of February, 20 05, L. Scott  
personally appeared before me, who being by me duly sworn did say that ~~he~~ she, the said  
L. Scott is the Attorney-In-Fact of  
Safeco Insurance Company of America and duly acknowledged that said instrument was signed on behalf  
of said company by authority of its bylaws or a resolution of its board of directors and said  
\_\_\_\_\_ duly acknowledged to me that said company executed the same, and that  
he/she is duly authorized to execute and deliver the foregoing obligations; that said Surety is authorized  
to execute the same and has complied in all respects with the laws of Utah in reference to becoming  
sole surety upon bonds, undertaking and obligations.

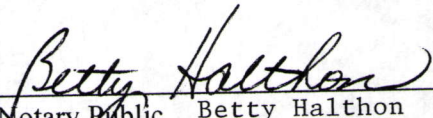
Signed:   
Surety Officer L. Scott

Title: Attorney-In-Fact

STATE OF Michigan )  
 ) ss:  
COUNTY OF Wayne )

 COMPLETED

Subscribed and sworn to before me this 15th day of February, 20 05.

  
Notary Public Betty Halthon  
Residing at: Detroit, MI


My Commission Expires:

September 3, 20 07

**BETTY HALTHON**  
**Notary Public, Wayne County, MI**  
**My Commission Expires 09-03-2007**

SO AGREED this 27<sup>th</sup> day of March, 20 06.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

  
\_\_\_\_\_  
John R. Baza, Director  
Utah State Division of Oil, Gas and Mining

\*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.

COMPLETED

## **IMPORTANT NOTICE TO SURETY BOND CUSTOMERS REGARDING THE TERRORISM RISK INSURANCE ACT OF 2002**

As a surety bond customer of one of the SAFECO insurance companies (SAFECO Insurance Company of America, General Insurance Company of Americas, First National Insurance Company, American States Insurance Company or American Economy Insurance Company), it is our duty to notify you that the Terrorism Risk Insurance Act of 2002 extends to "surety insurance". This means that under certain circumstances, we may be eligible for reimbursement of certain surety bond losses by the United States government under a formula established by this Act.

Under this formula, the United States government pays 90% of losses caused by certified acts of terrorism that exceed a statutorily established deductible to be paid by the insurance company providing the bond. The Act also establishes a \$100 billion cap for the total of all losses to be paid by all insurers for certified acts of terrorism. Losses on some or all of your bonds may be subject to this cap.

This notice does not modify any of the existing terms and conditions of this bond, the underlying agreement guaranteed by this bond, any statutes governing the terms of this bond, or any generally applicable rules of law.

At this time, there is no premium charge resulting from this Act.

 COMPLETED

ACT/037/027

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
Board of Oil, Gas and Mining  
4241 State Office Building  
Salt Lake City, Utah 84114

RECEIVED  
JAN 17 1985

Wilson-Silverbell

DIVISION OF  
OIL, GAS & MINING

MINED LANDS RECLAMATION CONTRACT

COMPLETED

THIS CONTRACT, made and entered into this 24<sup>th</sup> day of January, 1985, by and among Umetco Minerals Corporation (hereinafter "Umetco"), a corporation duly authorized and existing under and by virtue of the laws of the State of Delaware and duly qualified to do business in this State, Union Carbide Corporation (hereinafter "UCC"), a Corporation duly authorized and existing under and by virtue of the laws of New York, on behalf of its wholly-owned subsidiary Umetco, and the Board of Oil, Gas and Mining (hereinafter the "Board"), duly authorized and existing by virtue of the laws of the State of Utah.

W I T N E S S E T H:

WHEREAS, UCC has transferred certain assets to Umetco including ownership and possession of certain mining claims and/or leases located in San Juan County, State of Utah, known as the Wilson-Silverbell Mine, as more particularly described in the Mining and Reclamation Plan, referenced below.

WHEREAS, UCC, on the 23rd of June, 1977, did duly file with the Division of Oil, Gas, and Mining, a "Notice of Intention to Commence

Mining Operations" and a "Mining and Reclamation Plan" to secure authorization to engage in certain mining operations in the State of Utah, under the terms and provisions of the Mined Land Reclamation Act, Section 40-8, UCA, 1953;

WHEREAS, UCC, on the 5th day of February, 1979, did duly execute with the Board a "Mined Lands Reclamation Contract", whereunder UCC, upon providing sufficient corporate guarantees in lieu of a bond, promised and agreed to reclaim certain affected mining lands in accordance with an approved mining and reclamation plan, the Mined Land Reclamation Act and all applicable rules and regulations;

WHEREAS, Umetco, on the 16<sup>th</sup> day of January, 1985, did duly file with the Division of Oil, Gas, and Mining an "Application for Permit Transfer" to permit Umetco to engage in mining operations at the Wilson-Silverbell Mine in the State of Utah, under the terms and provisions of the Mined Land Reclamation Act, Section 40-8, UCA, 1953;

WHEREAS, Umetco is presently able and willing to reclaim the above referenced "affected mining lands" in accordance with the approved Mining and Reclamation Plan, as amended, the Mined Land Reclamation Act, and all applicable rules and regulations adopted in accordance therewith;

WHEREAS, the Board has duly considered the factual information and recommendations provided by the staff of the Division of Oil, Gas, and Mining as to the magnitude, type and cost of the approved reclamation activities designed for the affected mining lands;



WHEREAS, the Board is cognizant of the nature, extent, and duration of Umetco's operations and Umetco's financial status and its capabilities of carrying out and performing the designed reclamation activities.

WHEREAS, UCC, on behalf of its wholly-owned subsidiary Umetco, wishes, by these presents, to furnish the required corporate guarantee in order that Umetco may continue operations at the Redd Block Four Mine;

NOW THEREFORE, for and in consideration of the foregoing and the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

COMPLETED

1. Umetco shall reclaim the affected mining lands in accordance with the approved Mining and Reclamation Plan, as amended, the Mined Land Reclamation Act, and all applicable rules and regulations adopted in accordance therewith;

2. Subject to the provisions of paragraph 6, below, Union Carbide guarantees to the Board that during the term of this Contract in the event that Umetco fails to reclaim the affected mining lands, UCC, upon notice from the Board, shall arrange for performance of such activities.

3. The current cost estimate for reclamation is \$142,280.00. This sum shall be subject to annual adjustments to reflect changes in reclamation costs, or estimates of such costs, due to changes in reclamation requirements, economic conditions (e.g., inflation), or

phased completion of reclamation by Umetco which result in a reduction of total reclamation costs.

4. The Board and Umetco agree that within ten (10) days following the execution of this Agreement and then annually thereafter on or about April 1st, throughout the term of this Agreement, Umetco shall supply to the Division of Oil, Gas and Mining a copy of the most recent United States Securities and Exchange Commission Form 10-K Statement filed by UCC;

COMPLETED

5. This Contract supersedes all prior Mined Land Reclamation Contracts, including but not limited to the Mined Land Reclamation Contract, dated February 5, 1979, by and between UCC and the Board.

6. This Contract shall remain in effect so long as Umetco remains a wholly-owned subsidiary of Union Carbide. If the corporate relationship is altered in any way, this Agreement shall be terminated and Umetco, within 90 days of that alteration, shall submit an alternative surety agreement acceptable to the Board or Umetco shall commence reclamation of and reclaim the affected land.

7. Should the Board at any time determine that UCC's corporate guarantee is no longer an acceptable method of insuring Umetco's reclamation obligations, the Board reserves the right, subject to ninety (90) day prior written notice being given to Umetco, to rescind this Contract in its entirety. Within that ninety (90) day period, Umetco shall submit an alternative surety agreement

acceptable to the Board or Umteco shall commence reclamation of and reclaim the affected land.

8. This Contract shall not become effective until executed by authorized representatives of all parties.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed by their duly authorized representatives as of the date first above written.

COMPLETED

UMETCO MINERALS CORPORATION

ATTEST

*[Signature]*  
Secretary

By:

*[Signature]*  
VICE PRESIDENT AND GENERAL  
MANAGER, URANIUM, COAL, GAS + OIL

CWD

UNION CARBIDE CORPORATION

ATTEST

*[Signature]*  
Asst Secretary

By:

*[Signature]*  
EXECUTIVE VICE PRESIDENT

CWD

BOARD OF OIL, GAS, AND MINING

By:

*[Signature]*

Title:

Chairman

FILE 1037/027  
Wilson-Silverbell

COPY TO PM

BOND ESTIMATE  
32 Acres  
UNION CARBIDE'S - WILSON-SILVERBELL MINE  
ACT/037/027  
12/15/83

DIVISION OF  
OIL GAS & MINING

A. Removal of office, shop, compressor building, headframe, etc. (dismantle and bury on site)		
D-9 cat w/ripper	1 1/2 wks @ \$4105/wk	\$ 6,200
40-ton Linkbelt HTC 1040	1 wk @ \$3915/wk	3,900
20-yd <sup>3</sup> end dump truck	2 wks @ \$1470/wk	2,900
5-yd <sup>3</sup> 980 D cat loader	2 wks @ \$1995/wk	4,000
Tractor & 25 ton lowboy	60 hrs @ \$55.55/hr	3,300
Labor	1062 hrs @ \$15/hr	15,900
		<u>\$36,200</u>
B. Removal of trash and extraneous debris (bury at toe of dumps)		
20-yd <sup>3</sup> end dump truck	3 days @ \$370/day	1,100
3 1/2-yd <sup>3</sup> 966 cat loader	3 days @ \$630/day	1,900
Labor	72 hrs @ \$15/hr	1,100
		<u>\$ 4,100</u>
C. Foundation elimination, break-up and burial		
D-9 cat w/ripper	3/4 wk @ \$4105/wk	\$ 3,100
Compressor & Jackhammer	32 hrs @ \$56/hr	1,800
Labor	32 hrs @ \$15/hr	500
		<u>\$ 5,400</u>
D. Restocking of unused fuels, oils, etc. (contingency cost)		
		\$ 500
E. Pond Area: contouring, excavating pond bottom and dumping down mine shaft, 5.0 acres (based on Hecla Mine cost estimate)		
	5 acres @ \$1300/acre	\$ 6,500
F. Contouring dumps, surface plant area, and roads		
Waste dumps	- 11 acres @ \$1800/acre	\$19,800
Plant area and roads	- 16 acres @ \$85/acre	1,400
(costs based on Hecla Mine estimates)		<u>\$21,200</u>
G. Topsoil placement and grading on dumps (Hecla costs)		
	11 acres @ \$1400/acre	\$15,400
H. Capping of vertical shafts - 14 ea @ \$1200/ea (Hecla costs)		
		\$16,800
I. Stabilization, reseeding of ponds, dumps and plant area		
	all acres - 32 acres @ \$62/acre	\$ 2,000
J. Monitoring, sampling and necessary testing		
		\$15,000

COMPLETED

WILSON-SILVERBELL MINE

	Sub-Total	\$123,100
K. Contingency, 10%		<u>12,300</u>
	Total	\$135,400

- Conditions:
1. Hourly rates are based on weekly rates because equipment would be used on all phases of reclamation.
  2. Dollar amounts are rounded to the nearest hundred.
  3. All buildings, structures, etc., remaining after cessation of mining activities will have no salvage value and will be buried on site.
  4. Acreage costs are based on Hecla Mine detail costs.
  5. We now feel that 32 acres will be sufficient for this permit and that acreage be used for the final submittal.
  6. Monitoring costs are for vegetation and any augmentation that may be required.
  7. The new stabilization and reseeding costs are based on the conditions of the original permit application and do not reflect either fertilization or mulching. If new information indicates the need for significant changes in the final reseeding techniques, changes will be made at a later date.

11/10/10-1

(4)

EXECUTIVE SUMMARY  
\*\*\*\*\*

UNION CARBIDE CORPORATION

Wilson-Silverbell Mines

Sections 15, 21, 22, T. 32S., T. 26E.

San Juan County, Utah

ACT/037/027  
November 21, 1978

#### LOCATION:

Union Carbide Corporation is operating an underground random room and pillar uranium mine in Sections 15, 21, and 22, Township 32 South, Range 26 East, San Juan County, Utah. The mine is situated on flat improved rangeland near agricultural land. Consult the enclosed maps for site locations.

The application is for two underground shaft mines that are adjacent to each other. Uranium ore is mined from the Salt Wash sandstone member of the Morrison Formation. Mining activities commenced prior to May of 1975.

#### SOILS AND GEOLOGY:

Soils are relatively deep and probably have agricultural potential. Unfortunately soils were not stockpiled prior to the commencement of mining. Union Carbide will attempt to revegetate the spoil material without re-spreading soil over the material.

#### HYDROLOGY:

There are no perennial streams immediately adjacent to the mine site. Infiltration potential of the natural soils of the area is high, resulting in low runoff potential. Impacts to surface hydrology is expected to be minimal.

The mine presently discharges into series of evaporation ponds. The ponds will be reclaimed upon termination of operations. Mine discharge will cease.

#### ECOLOGY:

Pinyon Pine and Juniper comprise the overstory and tends to be patchy in the area. The natural understory is comprised of the sagebrush-native grass community. The area is used for wheat and bean farming.

The area has limited value for wildlife habitat.

#### STRUCTURES AND FACILITIES:

Structures and facilities that presently exist include the following:

- a. A through access road maintained by San Juan County.

EXECUTIVE SUMMARY  
Union Carbide Corp.  
Wilson-Silverbell Mines  
Page Two

- b. Two vertical shafts.
- c. Three vent shafts.
- d. Two waste dumps.
- e. Shop and office facilities.
- f. Five evaporation ponds for mine discharge.
- g. Power transmission facilities.
- h. Access roads to vent shafts and ponds.

Possible future facilities include two additional vent shafts.

MINING AND RECLAMATION:

Union Carbide has committed to the following:

During Operations:

- a. Mining will be conducted in a safe, sound technical and prudent miner-like manner.
- b. Future site expansion will salvage topsoil in advance of development and it will be stored in stabilized and revegetated stockpiles.
- c. New access roads will be constructed in a manner agreeable to the surface owners and to allow for proper drainage.

After Operations:

- a. Surface debris, scrap metal, discarded wood, and unusable buildings will be buried or removed from the site.
- b. Portals, shafts, and ventilation holes will be sealed to prevent unauthorized or accidental entry.
- c. Dumps, pads and other disturbed sites will be stabilized by rounding off outer edges, reducing the slope of the rock faces and regrading drainage contours.



EXECUTIVE SUMMARY  
Union Carbide Corp.  
Wilson-Silverbell Mines  
Page Three

- d. Compacted surfaces will be scarified, seeded with a grass-shrub seed mixture in the fall, and drag covered.
- e. Water evaporation ponds will be reclaimed.
- f. The main road through the site will be left open for access.
- g. Reclaimed areas will be monitored and reseeded if necessary.

IMPACTS:

The mine facilities were inexistence prior to the Utah Mined Land Reclamation Act. The Reclamation Plan will eliminate safety hazards and reduce visual and environmental impacts.

SURETY ESTIMATE:

Surety for this operation was estimated to be \$28,332.37 which includes 5% inflation for a period of 14 years, the expected life of the mine. The surety includes the following work:

- a. Sealing of two vertical shafts and five ventilation shafts.
- b. Removal of structures and equipment.
- c. Removal of trash and debris.
- d. Regrading of spoil piles.
- e. Scarification and seeding of disturbed areas.
- f. Grading of drainage contours and water bars.
- g. Supervising labor.
- h. Removal of hazardous substances.
- i. Reseeding and monitoring if necessary.
- j. 5% inflation.

A copy of the reclamation surety estimate is enclosed.